

TOWN OF COTTONPORT, LOUISIANA

Financial Report

Year Ended June 30, 2021

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-3
 BASIC FINANCIAL STATEMENTS	
 GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)	
Statement of net position	6
Statement of activities	7
 FUND FINANCIAL STATEMENTS (FFS)	
Balance sheet - governmental funds	9
Reconciliation of the governmental funds balance sheet to the statement of net position	10
Statement of revenues, expenditures, and changes in fund balances - governmental funds	11
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	12
Statement of net position - proprietary fund	13
Statement of revenues, expenses, and changes in net position - proprietary fund	14
Statement of cash flows - proprietary fund	15-16
Discretely Presented Component Unit - Statement of Net Position	17
Discretely Presented Component Unit - Statement of Activities	18
Notes to basic financial statements	19-47
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	49
Sales Tax Fund	50
Schedule of employer's share of net pension liability	51
Schedule of employer contributions	52
Notes to required supplementary information	53-54

TABLE OF CONTENTS (Continued)

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION	
OTHER INFORMATION	
General Fund - budgetary comparison schedule - revenues	57
General Fund - budgetary comparison schedule - expenditures	58-59
Utility Fund - departmental analysis of revenues and expenses	60
Schedule of compensation paid to council members	61
Schedule of compensation, benefits, and other payments to agency head	62
Judicial System Funding Schedule - Collecting/Disbursing Entity	63
LCDBG Program - balance sheet	64
LCDBG Program - income statement	65
INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67-68
Schedule of current and prior year audit findings and management's corrective action plan	69-71

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INDEPENDENT AUDITOR'S REPORT

The Honorable William F. Scott, III, Mayor
and Members of the Town Council
Town of Cottonport, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Town of Cottonport, Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Cottonport, Louisiana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit and each major fund of the Town of Cottonport, Louisiana, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11, the Town's June 30, 2021 financial statements contained misstatements. The Town has restated its beginning balances for the corrections of these misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, schedules of employer's share of net pension liability, and employer contributions on pages 49 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Cottonport has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cottonport, Louisiana's basic financial statements. The detailed budgetary comparison schedules, utility fund departmental analysis of revenues and expenses, schedule of compensation paid to council members, schedule of compensation, benefits, and other payments to agency head, judicial system funding schedule – collecting/dispersing entity and the LCDBG program financial statements on pages 57 through 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation paid to council members, schedule of compensation, benefits, and other payments to agency head, judicial system funding schedule – collecting/disbursing entity and the LCDBG program financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation paid to council members, schedule of compensation, benefits, and other payments to agency head, judicial system funding schedule – collecting/disbursing entity and the LCDBG program financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The detailed budgetary comparison schedules and the utility fund departmental analysis of revenues and expenses have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2021 on our consideration of the Town of Cottonport, Louisiana’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Cottonport, Louisiana’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Cottonport, Louisiana’s internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
December 29, 2021

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF COTTONPORT, LOUISIANA

Statement of Net Position
June 30, 2021

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Total
ASSETS				
Cash and cash equivalents	\$ 257,728	\$ 322,568	\$ 580,296	\$ 64,204
Receivables, net	35,911	91,737	127,648	-
Other receivables	27,426	5,152	32,578	38
Accrued interest	-	1,219	1,219	-
Interfund balances	(18,179)	18,179	-	-
Due from other governmental agencies	-	27,775	27,775	-
Restricted assets:				
Cash and cash equivalents	134,095	182,109	316,204	-
Capital assets:				
Nondepreciable	292,507	647,315	939,822	-
Depreciable capital assets, net	804,037	2,464,628	3,268,665	17,332
Total assets	<u>1,533,525</u>	<u>3,760,682</u>	<u>5,294,207</u>	<u>81,574</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	<u>26,185</u>	<u>48,628</u>	<u>74,813</u>	<u>-</u>
LIABILITIES				
Accounts and other payables	18,164	20,931	39,095	-
Construction and retainage payable	-	27,775	27,775	-
Accrued interest payable	-	3,940	3,940	-
Customers deposits	-	74,082	74,082	-
Amount held in escrow	134,095	-	134,095	-
Long-term liabilities:				
Capital lease obligations due within one year	39,303	-	39,303	-
Bonds payable due within one year	88,000	39,000	127,000	-
Capital lease obligations due in more than one year	143,768	-	143,768	-
Bonds payable due in more than one year	91,000	129,000	220,000	-
Net pension liability	83,806	155,639	239,445	-
Total liabilities	<u>598,136</u>	<u>450,367</u>	<u>1,048,503</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	<u>34,926</u>	<u>12,987</u>	<u>47,913</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	734,473	2,982,943	3,717,416	17,332
Restricted for:				
Public safety and public works	320,544	-	320,544	-
Capital outlay	-	223	223	-
Debt service	-	64,864	64,864	-
Unrestricted net position	<u>(128,369)</u>	<u>297,926</u>	<u>169,557</u>	<u>64,242</u>
Total net position	<u>\$ 926,648</u>	<u>\$ 3,345,956</u>	<u>\$ 4,272,604</u>	<u>\$ 81,574</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2021

Activities	Primary Government						Component Unit
	Expenses	Fees, Fines and Charges for Services	Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Position			Total
				Governmental Activities	Business-Type Activities	Total	
Governmental activities:							
General government	\$ 237,599	\$ -	\$ -	\$ (237,599)	\$ -	\$ (237,599)	
Public safety	359,444	27,292	-	(332,152)	-	(332,152)	
Public works	144,712	-	-	(144,712)	-	(144,712)	
Interest	9,888	-	-	(9,888)	-	(9,888)	
Total governmental activities	<u>751,643</u>	<u>27,292</u>	<u>-</u>	<u>(724,351)</u>	<u>-</u>	<u>(724,351)</u>	
Business-type activities:							
Water and Sewer	627,718	817,693	419,084	-	609,059	609,059	
Total	<u>\$ 1,379,361</u>	<u>\$ 844,985</u>	<u>\$ 419,084</u>	<u>(724,351)</u>	<u>609,059</u>	<u>(115,292)</u>	
Component unit	<u>\$ 84,062</u>	<u>\$ -</u>	<u>\$ -</u>				\$ (84,062)
General revenues:							
Taxes -							
Property taxes, levied for general purposes				52,019	-	52,019	-
Property taxes, levied for specific purposes				-	-	-	95,211
Sales and use taxes, levied for general purposes				479,476	-	479,476	-
Franchise taxes				85,103	-	85,103	-
Licenses and permits				68,566	-	68,566	-
Intergovernmental				60,201	-	60,201	-
Interest and investment earnings				405	1,727	2,132	-
Miscellaneous				49,641	-	49,641	1,770
Nonemployer pension contributions				2,572	4,776	7,348	-
Transfers				66,279	(66,279)	-	-
Total general revenues				<u>864,262</u>	<u>(59,776)</u>	<u>804,486</u>	<u>96,981</u>
Change in net position				139,911	549,283	689,194	12,919
Net position - beginning, as restated				786,737	2,796,673	3,583,410	68,655
Net position - ending				<u>\$ 926,648</u>	<u>\$ 3,345,956</u>	<u>\$ 4,272,604</u>	<u>\$ 81,574</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

TOWN OF COTTONPORT, LOUISIANA

Balance Sheet
Governmental Funds
June 30, 2021

	General	Sales Tax	Debt Service	Totals
ASSETS				
Cash and cash equivalents	\$ 148,029	\$ 109,699	\$ -	\$ 257,728
Receivables:				
Taxes	-	35,911	-	35,911
Due from other funds	-	110,692	-	110,692
Other	27,426	-	-	27,426
Cash - restricted	134,095	-	-	134,095
Total assets	\$ 309,550	\$ 256,302	\$ -	\$ 565,852
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 18,164	\$ -	\$ -	\$ 18,164
Due to other funds	128,871	-	-	128,871
Amount held in escrow	134,095	-	-	134,095
Total liabilities	281,130	-	-	281,130
Fund balances:				
Restricted	-	256,302	-	256,302
Unassigned	28,420	-	-	28,420
Total fund balances	28,420	256,302	-	284,722
Total liabilities and fund balances	\$ 309,550	\$ 256,302	\$ -	\$ 565,852

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Total fund balances for governmental funds		\$	284,722
Total net position reported for governmental activities in the statement of net position is different because:			
Capital assets, net			1,096,544
Long-term liabilities:			
Capital lease payable	\$	(183,071)	
Bond payable		(179,000)	
Net pension liability		<u>(83,806)</u>	(445,877)
Deferred outflows of resources related to net pension liability			26,185
Deferred inflows of resources related to net pension liability			<u>(34,926)</u>
Net position at June 30, 2021		\$	<u>926,648</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2021

	General	Sales Tax Fund	Debt Service	Totals
Revenues:				
Taxes	\$ 137,122	\$ 479,476	\$ -	\$ 616,598
Licenses and permits	68,566	-	-	68,566
Intergovernmental	60,201	-	-	60,201
Fines and forfeits	27,292	-	-	27,292
Miscellaneous	49,948	98	-	50,046
Total revenues	<u>343,129</u>	<u>479,574</u>	<u>-</u>	<u>822,703</u>
Expenditures:				
Current -				
General government	219,934	6,497	-	226,431
Public safety:				
Police	264,425	-	-	264,425
Fire	15,412	-	-	15,412
Court	12,584	-	-	12,584
Public works	120,917	-	-	120,917
Capital outlay	168,252	-	-	168,252
Debt service	52,098	-	93,553	145,651
Total expenditures	<u>853,622</u>	<u>6,497</u>	<u>93,553</u>	<u>953,672</u>
Excess (deficiency) of revenues over expenditures	<u>(510,493)</u>	<u>473,077</u>	<u>(93,553)</u>	<u>(130,969)</u>
Other financing sources (uses):				
Transfers in	365,000	-	93,553	458,553
Transfers out	(27,274)	(365,000)	-	(392,274)
Proceeds from capital lease	157,371	-	-	157,371
Total other financing sources (uses)	<u>495,097</u>	<u>(365,000)</u>	<u>93,553</u>	<u>223,650</u>
Net changes in fund balances	(15,396)	108,077	-	92,681
Fund balances, beginning, as restated	<u>43,816</u>	<u>148,225</u>	<u>-</u>	<u>192,041</u>
Fund balances, ending	<u>\$ 28,420</u>	<u>\$ 256,302</u>	<u>-</u>	<u>\$ 284,722</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2021

Total net changes in fund balance per Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 92,681
Capital assets:		
Capital outlay	\$ 168,252	
Depreciation expense	<u>(121,887)</u>	46,365
Transactions involving capital assets:		
Loss on disposal of assets		(6,083)
Capital assets:		
Proceeds from capital lease	(157,371)	
Principal paid on capital lease	49,765	
Principal paid on bonds payable	<u>86,000</u>	(21,606)
Effect of change in net pension liability and the related deferred inflows and outflows of resources:		
Nonemployer pension contributions recognized	2,572	
Change in pension expense	<u>25,982</u>	<u>28,554</u>
Total changes in net position per Statement of Activities		<u>\$ 139,911</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA
Statement of Net Position
Proprietary Fund
June 30, 2021

	Water and Sewer
ASSETS	
Current asset:	
Cash and cash equivalents	\$ 322,568
Receivables:	
Accounts, net	91,737
Accrued interest	1,219
Other	5,152
Due from other funds	20,676
Due from other governmental agencies	27,775
Total current assets	469,127
Noncurrent assets:	
Restricted assets -	
Cash and cash equivalents	182,109
Capital assets:	
Nondepreciable	647,315
Depreciable capital assets, net	2,464,628
Total noncurrent assets	3,294,052
Total assets	3,763,179
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	48,628
LIABILITIES	
Current liabilities:	
Accounts payable	20,931
Construction and retainage payable	27,775
Due to other funds	2,497
Payable from restricted assets -	
Revenue bonds payable	39,000
Accrued interest payable	3,940
Total current liabilities	94,143
Noncurrent liabilities:	
Customers' deposits	74,082
Revenue bonds payable	129,000
Net pension liability	155,639
Total noncurrent liabilities	358,721
Total liabilities	452,864
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	12,987
NET POSITION	
Net investment in capital assets	2,982,943
Restricted - debt service	64,864
Restricted - capital outlay	223
Unrestricted net position	297,926
Total net position	\$3,345,956

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position -
 Proprietary Fund
 For the Year Ended June 30, 2021

	<u>Water and Sewer</u>
Operating revenues:	
Charges for services -	
Water service charges	\$ 586,899
Sewer service charges	206,689
Installation and other charges	<u>24,105</u>
Total operating revenues	<u>817,693</u>
Operating expenses:	
Salaries and related benefits	142,929
Supplies	98,925
Maintenance and repairs	69,435
Gas and oil	8,207
Utilities and telephone	103,453
Depreciation expense	126,318
Other operating expenses	<u>64,922</u>
Total operating expenses	<u>614,189</u>
Operating income	<u>203,504</u>
Nonoperating revenues (expenses):	
Grant revenues	419,084
Interest income	1,727
Non-employer pension contributions	4,776
Interest expense	<u>(13,529)</u>
Total nonoperating revenues (expenses)	<u>412,058</u>
Income before transfers	<u>615,562</u>
Transfers in (out):	
Transfers in	27,274
Transfers (out)	<u>(93,553)</u>
Total transfers (out)	<u>(66,279)</u>
Change in net position	549,283
Net position, beginning, as restated	<u>2,796,673</u>
Net position, ending	<u>\$3,345,956</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2021

	<u>Water and Sewer</u>
Cash flows from operating activities:	
Receipts from customers	\$ 816,514
Payments to suppliers	(324,060)
Payments to employees	<u>(166,434)</u>
Net cash provided by operating activities	<u>326,020</u>
Cash flows from noncapital financing activities:	
Transfers (to) from other funds	<u>(97,419)</u>
Cash flows from capital and related financing activities:	
Proceeds from grants	399,753
Interest and fiscal charges paid on revenue bonds	(9,589)
Principal paid on bonds	(37,000)
Capital purchases	<u>(423,046)</u>
Net cash used by capital and related financing activities	<u>(69,882)</u>
Cash flows from investing activities:	
Interest received on interest-bearing deposits	<u>1,727</u>
Net increase in cash and cash equivalents	160,446
Cash and cash equivalents, beginning of period	<u>344,231</u>
Cash and cash equivalents, end of period	<u>\$ 504,677</u>

(continued)

TOWN OF COTTONPORT, LOUISIANA

Statement of Cash Flows (Continued)
 Proprietary Fund
 For the Year Ended June 30, 2021

	<u>Water and Sewer</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 203,504
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	126,318
Net pension liability	15,258
Deferred inflows of resources	(18,254)
Deferred outflows of resources	(25,285)
Nonemployer contributions	4,776
Increase in assets:	
Accounts receivable	(1,245)
Other	(874)
Increase in liabilities:	
Accounts payable	20,882
Customer deposits	<u>940</u>
Net cash provided by operating activities	<u>\$ 326,020</u>
Reconciliation of cash and cash equivalents per statement of cash flows to statement of net position:	
Cash and cash equivalents, beginning of period -	
Cash and cash equivalents - unrestricted	\$ 271,089
Cash and cash equivalents- restricted	<u>73,142</u>
Total cash and cash equivalents, beginning of period	<u>344,231</u>
Cash and cash equivalents, end of period -	
Cash and cash equivalents - unrestricted	322,568
Cash and cash equivalents - restricted	<u>182,109</u>
Total cash and cash equivalents, end of period	<u>504,677</u>
Net increase in cash and cash equivalents	<u>\$ 160,446</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Statement of Net Position
Discretely Presented Component Unit
June 30, 2021

	<u>Volunteer Fire Department</u>
Assets	
Cash and cash equivalents	\$ 64,204
Other receivables	38
Capital assets	
Depreciable, net	<u>17,332</u>
Total assets	<u>\$ 81,574</u>
Net Position	
Restricted - Public Safety - Fire	<u>\$ 81,574</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Statement of Activities
Discretely Presented Component Unit
For the Year Ended June 30, 2021

	<u>Volunteer Fire Department</u>
Expenses	<u>\$ 84,062</u>
General Revenues	
Ad valorem taxes	95,211
Miscellaneous	<u>1,770</u>
Total general revenues	<u>96,981</u>
Change in Net Position	12,919
Net Position, Beginning, as restated	<u>68,655</u>
Net Position, Ending	<u>\$ 81,574</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Cottonport (hereinafter, “the Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Town of Cottonport was incorporated on March 28, 1896 and began operating under the provisions of the Lawrson Act on October 21, 1924. The Town operates under a Mayor-Town Council form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, culture-recreation, public improvements, and general administrative services.

The financial reporting entity consist of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. This report includes all funds which are controlled by or dependent on the Town executive and legislative branches (the Mayor and Town Council). Control by or dependence on the Town is determined based on budget adoption, taxing authority, authority to issue debt, election or appointment of the governing body, and other general oversight responsibility.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria established by GASB Statement No. 61, *The Financial Reporting Entity Omnibus – An Amendment of GASB Statements No. 14 and 34*, but do not meet the criteria for blending. They are reported in a separate column to emphasize that they are legally separate from the Town. Based on these criteria, the volunteer fire department, as a governmental organization, is considered a component unit of the Town and is included in the accompanying financial statements.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements provide operational accountability information for the Town as an economic unit. The government-wide financial statements report the Town’s ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds, each of which is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Town are described below:

Governmental Funds –

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

The Sales Tax Fund accounts for the proceeds of two 1% sales and use taxes that are legally restricted to expenditures for specific purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources used to service the Town's \$800,000 Series 2013 certificate of indebtedness.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Proprietary Funds –

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income, financial position, and cash flows.

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water Sewer Fund comprises the Town's Enterprise Fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues, expenditures, expenses, and transfers – and assets, deferred outflows of resources, liabilities, and deferred inflows of resources – are recognized in the accounts and reported in the financial statements.

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recover), and financial position. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statements of net position and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

Program revenues

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

Allocation of indirect expenses

The Town reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the statement of activities. Depreciation expense is specifically identifiable by function and is included in the direct expense of each function. Interest on long-term debt related to business activities, is reported in the statement of activities as direct expenses in the Water and Sewer function in the amount of \$13,529.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash, cash equivalents and interest-bearing deposits

For purposes of the statement of net position, cash and cash equivalents include all demand accounts, savings accounts, certificates of deposits, and interest-bearing deposits of the Town.

For the purposes of the proprietary fund statement of cash flows, cash and cash equivalents include all demand deposits, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and franchise fees. Business-type activities report customers' utility service receivables as their major receivables. Uncollectible amounts due from customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the receivable is uncollectible. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading billing and the end of the month, are recorded at year-end. The total allowance for doubtful accounts reported at June 30, 2021 is \$37,814.

Interfund receivables and payables

During operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those transactions related to goods and services are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the special revenue funds and the proprietary fund that are legally restricted as to their use. The restricted assets recorded in the governmental funds are related to capital lease proceeds designated for the construction of a capital asset. The restricted assets in the proprietary fund are related to utility customer deposits and debt service on the 2010 water revenue bonds.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

in the government-wide financial statements. Capital assets are capitalized at acquisition cost or estimated cost if acquisition is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated acquisition cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Infrastructure	10 - 50 years
Utility system and improvements	10 - 50 years
Heavy equipment	10 - 20 years
Vehicles and movable equipment	7 - 15 years
Equipment, furniture and fixtures	5 - 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

Employees of the Town earn both vacation and sick time based on years of service. Accumulated vacation time expires on January 31st of the following calendar year while accumulated sick time is eligible for carryover. However, employees are not paid for accumulated sick time at the time of resignation or termination. No compensated absences payable is recorded at June 30, 2021 due to the immaterial nature of the balance payable.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of revenue bonds payable and capital lease payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) in the current period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) in the current period.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

1. Net investment in capital assets - consists of net capital assets, reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
2. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
3. Unrestricted net position – consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance reports aggregate amounts for five classifications based on the constraints imposed on the use of these resources. As such, fund balances of the governmental funds are classified as follows:

1. Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact. The Town’s non-spendable fund balance includes prepaid items.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

2. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed – amounts that can be used only for specific purposes determined by a formal decision of the Town’s Mayor and Board of Aldermen, which is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by board members.
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes determined by a formal decision of the Mayor and Board of Aldermen.
5. Unassigned – all other spendable amounts.

It is the Town’s policy to use restricted amounts first when both restricted and unrestricted fund balance is available unless prohibited by legal or contractual provisions. Additionally, the Town uses committed, assigned, and unassigned amount

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Revenues

The Town considers revenue to be susceptible to accrual in the governmental funds as it becomes measurable and available, as defined under the modified accrual basis of accounting. The Town generally defines the availability period for revenue recognition as received within sixty (60) days of year end. The Town’s major sources of revenues that meet this availability criterion are intergovernmental revenues, franchise fees, tax revenues, and charges for services.

There are two classifications of programmatic revenues for the Town, grant revenue and program revenue. Grant revenues are derived from federal, state, and private grant programs. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. Program revenues are derived directly from the program itself or from third parties outside of the Town’s taxpayers or citizenry. Program revenues reduce the cost of the function to be financed by the Town’s general revenues. The primary sources of program revenues consist of fees, fines, and charges paid by recipients for goods or services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and income earned in connection with the operation of the Town’s utility system

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Ad Valorem Revenues

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in October and are billed to taxpayers in November. Billed taxes become delinquent on March 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Avoyelles Parish. Property tax revenues are recognized when levied to the extent that they result in current receivables.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services.

Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gain on disposal of assets, and insurance recoveries on property loss. Operating expenses are expenses related to the production of revenue. Nonoperating expenses are not directly related to the production of revenue and include items such as interest expense and losses on the disposal of assets.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character
Proprietary Funds - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 2
Water and sewer revenue	Debt service, utility operations, other lawful corporate purposes

G. Pensions

The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. Non-employer contributions are recognized as revenues in the government-wide and proprietary fund financial statements. In the governmental fund financial statements contributions are recognized as expenditures when due.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

(2) Dedication of Proceeds and Flow of Funds – Sales and Use Taxes

Proceeds of the Town’s two 1% sales and use taxes are dedicated to the following purposes:

1. Paying the cost of constructing sewers and sewerage disposal works, waterworks facilities, public streets and drainage facilities as well as maintaining and operating the same; title to which shall be in the public name.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(3) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in direct obligations of the United States government, bonds, debentures, notes, or other evidence of indebtedness issues or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of the state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered, or the Town will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. The Town does not have a policy for custodial credit risk; however, under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security, or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties.

Bank balances	\$ 878,065
Insurance	\$ 477,016
Uninsured and collateral held by custodial bank not in the Town's name	401,049
Total FDIC insurance and pledged securities	\$ 878,065

(4) Interfund Assets, Interfund Liabilities, and Transfers

A) Individual balances due from/to other funds are as follows:

	Receivables	Payables
Governmental Funds:		
General fund	\$ -	\$ 128,871
Sales tax fund	110,692	-
Total governmental funds	110,692	128,871
Enterprise funds:		
Water and sewer fund	20,676	2,497
Total	\$ 131,368	\$ 131,368

Balances at June 30, 2021, resulted from the routine lag between the dates that interfund goods or services are provided and reimbursable expenditures occur. Transactions are recorded in the accounting system and payments between funds are made to satisfy the balances.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

B) Transfers consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 365,000	\$ 27,274
Sales tax fund	-	365,000
Debt service fund	<u>93,553</u>	<u>-</u>
Total governmental funds	458,553	392,274
Enterprise funds:		
Water and sewer fund	<u>27,274</u>	<u>93,553</u>
Total	<u>\$ 485,827</u>	<u>\$ 485,827</u>

Transfers are used to 1) move revenues from the fund required by statute, voter-approved resolution, or budget to collect them to the fund required by statute or budget to expend them, and 2) use unrestricted revenues collected in the general fund to finance various program accounted for in other funds in accordance with budgetary authorizations.

(5) Restricted Assets

Restricted assets consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Capital lease escrow account	\$ 134,095	\$ -	\$ 134,095
Revenue bond reserve account	-	88,675	88,675
Revenue bond contingency account	-	19,129	19,129
Sewer improvements account	-	223	223
Customer utility deposits	<u>-</u>	<u>74,082</u>	<u>74,082</u>
	<u>\$ 134,095</u>	<u>\$ 182,109</u>	<u>\$ 316,204</u>

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(6) Capital Assets

Capital asset activity was as follows:

	Beginning Balance <u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 136,031	\$ -	\$ -	\$ 136,031
Construction in progress	-	156,476	-	156,476
Other capital assets:				
Buildings and improvements	1,181,345	-	-	1,181,345
Vehicles and tractors	1,019,502	-	30,416	989,086
Equipment, furniture and fixtures	632,878	11,776	-	644,654
Totals	<u>2,969,756</u>	<u>168,252</u>	<u>30,416</u>	<u>3,107,592</u>
Less accumulated depreciation:				
Buildings and improvements	687,786	28,521	-	716,307
Vehicles and tractors	530,862	62,175	-	593,037
Equipment, furniture and fixtures	694,846	31,191	24,333	701,704
Total accumulated depreciation	<u>1,913,494</u>	<u>121,887</u>	<u>24,333</u>	<u>2,011,048</u>
Governmental activities, capital assets, net	<u>\$ 1,056,262</u>	<u>\$ 46,365</u>	<u>\$ 6,083</u>	<u>\$ 1,096,544</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 16,121
Police	16,101
Fire	63,813
Streets	<u>25,852</u>
Total depreciation expense	<u>\$121,887</u>

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

	Beginning Balance <u>As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 234,084	\$ 413,231	-	\$ 647,315
Other capital assets:				
Water system and equipment	3,027,589	22,146	-	3,049,735
Sewer system and equipment	<u>2,970,663</u>	<u>7,000</u>	<u>-</u>	<u>2,977,663</u>
Totals	<u>6,232,336</u>	<u>442,377</u>	<u>-</u>	<u>6,674,713</u>
Less accumulated depreciation:				
Water system and equipment	1,652,278	62,127	-	1,714,405
Sewer system and equipment	<u>1,784,174</u>	<u>64,191</u>	<u>-</u>	<u>1,848,365</u>
Total accumulated depreciation	<u>3,436,452</u>	<u>126,318</u>	<u>-</u>	<u>3,562,770</u>
Business-type activities, capital assets, net	<u>\$ 2,795,884</u>	<u>\$ 316,059</u>	<u>\$ -</u>	<u>\$ 3,111,943</u>

Depreciation expense was charged to business-type activities as follows:

Water	\$ 62,127
Sewer	<u>64,191</u>
Total depreciation expense	<u>\$ 126,318</u>

(7) Changes in Long-Term Liabilities

Debt outstanding at June 30, 2021 was comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Direct borrowings/placements			
Certificates of Indebtedness	\$ 179,000	\$ -	\$ 179,000
Water Revenue Bonds	-	168,000	168,000
Capital leases	<u>183,071</u>	<u>-</u>	<u>183,071</u>
Total obligations	<u>\$ 362,071</u>	<u>\$ 168,000</u>	<u>\$ 530,071</u>

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

The following is a summary of debt transactions for the governmental activities of the Town:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Governmental Activities					
Direct borrowings/placements					
Certificates of indebtedness	\$265,000	\$ -	\$ 86,000	\$179,000	\$ 88,000
Capital leases -					
2017 Police units	8,501	-	5,601	2,900	2,900
2019 Mini excavator	29,368	-	6,568	22,800	6,833
2016 Fire Pumper Truck	37,596	-	37,596	-	-
2021 Fire Pumper Truck	-	<u>157,371</u>	<u>-</u>	<u>157,371</u>	<u>29,570</u>
Total	<u>\$340,465</u>	<u>\$157,371</u>	<u>\$135,765</u>	<u>\$362,071</u>	<u>\$ 127,303</u>

Certificates of Indebtedness

The Town issued the \$800,00 Certificates of Indebtedness, Series 2013 in July 2013 to fund streets improvements throughout the Town. The certificates bear interest at 2.85% and are due in ten annual principal and interest installments ranging from \$89,386 to \$93,594. The certificates are secured by and payable from the Town's excess annual revenues. Upon the event of a default certificate holders are entitled to exercise all rights and powers for which provision is made under Louisiana law. However, under no circumstances may the payment of principal or interest of any of the certificates be accelerated.

Annual debt service requirements to maturity for the Town's certificates of indebtedness are as follows:

<u>Year ending June 30,</u>	<u>Direct Placement Debt Government Activities</u>		
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total</u>
2022	\$ 88,000	\$ 5,102	\$ 93,102
2023	<u>91,000</u>	<u>2,594</u>	<u>93,594</u>
Total	<u>\$ 179,000</u>	<u>\$ 7,696</u>	<u>\$ 186,696</u>

Capital Lease Obligations

The Town entered into a lease agreement on December 20, 2016, for the purchase of a police car with an original purchase price of \$26,178. The lease agreement bears interest at 4.72% and requires sixty monthly installment payments of \$491 beginning in January 2017 and ending in December 2021.

The Town entered into a lease agreement on August 28, 2019 for the purchase of a 2019 mini excavator with an original purchase price of \$38,625. The lease agreement bears interest at 4.38% and

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

requires sixty monthly installment payments of \$644 beginning in September 2019 and ending in August 2024.

The Town entered into a lease agreement on April 14, 2021 for the purchase of a 2021 fire pumper truck with an original purchase price of \$157,371. The lease agreement bears interest at 3.12% and requires five annual installment payments of \$34,480 beginning in April 2022 and ending in April 2026.

Capital leases are due as follows:

Year ending June 30,	Governmental Activities		
	Principal payments	Interest payments	Total
2022	\$ 39,303	\$ 5,842	\$ 45,145
2023	37,639	4,564	42,203
2024	38,921	3,282	42,203
2025	33,771	2,063	35,834
2026	33,437	1,043	34,480
Total	<u>\$ 183,071</u>	<u>\$ 16,794</u>	<u>\$ 199,865</u>

Leased assets being depreciated consisted of a police car and a mini excavator with an original cost of \$64,803 and accumulated depreciation of \$35,882 as of June 30, 2021. Depreciation expense on equipment under capital lease was \$10,754 and is included in governmental activities in the government wide financial statements for the year ended June 30, 2021

The following is a summary of debt transactions for the business activities of the Town:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Business-Type Activities					
Direct borrowings/placements					
Water Revenue bonds	<u>\$ 205,000</u>	<u>\$ -</u>	<u>\$ 37,000</u>	<u>\$ 168,000</u>	<u>\$ 39,000</u>

Water Revenue Bonds

The Town issued the \$500,000 Water Revenue Bonds, Series 2010 in May 2010 to fund the construction of a new water well for its utility system. The bonds are due in fifteen annual principal and interest installments of \$37,407 to \$47,160. The bonds bear interest ranging from 2.25% to 4.80% on \$425,000 of principal while the remaining \$75,000 of principal is interest free. The bond agreement requires the Town to maintain customer utility rates to provide net revenues equal to or greater than 110% of the principal and interest obligated to be paid in the current fiscal year. Failure to make punctual principal and interest payments, to perform or observe any other bond covenants, agreements, or conditions for a period of thirty (30) days after receiving written notice are considered events of default. Bondholders are entitled to exercise all rights and powers under Louisiana law in

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

the event of a default however under no circumstances may the payment of principal or interest of any of the bonds be accelerated under the bond agreement.

Annual debt service requirements to maturity for the Town's water revenue bonds, are as follows:

Year ending June 30,	Direct Placement Debt Business-type Activities		
	Principal payments	Interest payments	Total
2022	\$ 39,000	\$ 7,924	\$ 46,924
2023	41,000	6,130	47,130
2024	43,000	4,202	47,202
2025	<u>45,000</u>	<u>2,160</u>	<u>47,160</u>
Total	<u>\$ 168,000</u>	<u>\$ 20,416</u>	<u>\$ 188,416</u>

(8) Pension Plans

Substantially all employees of the Town participate in one of two cost-sharing multiple employer public retirement systems. Each system is administered and controlled by a separate board of trustees.

A. Municipal Employees Retirement System of Louisiana (MERS) -

Plan Description: Employees of the Town are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan established in accordance with the provisions of Louisiana Revised Statute 11:1731 to provide retirement, disability, and survivor benefits to employees of all incorporated villages, towns, and cities throughout the State of Louisiana. MERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Town are members of Plan B. The system issues a publicly available financial report that may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Benefits Provided: The following is a description of the plan and its benefits which is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Retirement: Any member of Plan B, who was hired before January 1, 2013, can retire providing the member meets one of the following criteria:

- a. Any age with thirty (30) or more years of creditable service.
- b. Age 60 with a minimum of ten (10) years of creditable service.

Generally, the monthly amount of the retirement allowance for any member of Plan B shall consist of an amount equal to three percent of the member's monthly average final compensation

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

multiplied by his years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months, or joined months if service was interrupted. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Any member of Plan B Tier 2 can retire providing they meet one of the following requirements:

- a. Age 67 with seven (7) or more years of creditable service.
- b. Age 62 with ten (10) or more years of creditable service.
- c. Age 55 with thirty (30) or more years of creditable service.
- d. Any age with twenty-five (25) years of creditable service, exclusive of military service and unused annual and sick leave, with an actuarially reduced early benefit.

The monthly amount of the retirement allowance for any member of Plan B Tier 2 shall consist of an amount equal to two percent of the member's final compensation multiplied by their years of creditable service. Final compensation is the average monthly earnings during the highest sixty consecutive months or joined months if service was interrupted. However, under certain conditions as outlined in statutes, the benefits are limited to specific amounts.

Survivor Benefits: Upon death of any member of Plan B with five (5) or more years of creditable service, not eligible for normal retirement, the plan provides benefits for the surviving spouse and/or minor children as outlined in the statutes.

Any member of Plan B, who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

Deferred Retirement Option Plan (DROP) Benefits: In lieu of terminating employment and accepting a service retirement allowance, any member of Plan B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable, but employee contributions cease. The monthly retirement benefits that would be payable had the person elected to cease employment and receive a service retirement allowance are paid into the DROP Fund. Interest is earned when the member has completed DROP participation. Interest earnings are based upon the actual rate of return on the investments identified as DROP funds for the period. In addition, no cost-of-living increases are payable to participants until employment which made them eligible to become members of the System has been terminated for at least one full year.

Upon termination of employment, prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or any other method of payment, if approved by the board of trustees. If a participant dies during participation in the DROP, a lump sum equal to the balance in his account shall be paid to his named beneficiary or, if none, to his estate. If employment is not terminated at the end of the three years, payments into the DROP fund cease and the person resumes active contributing membership in MERS.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Disability Benefits: For Plan B, a member shall be eligible to retire and receive a disability benefit if he has at least ten years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of (1) an amount equal to two percent of his final compensation multiplied by his years of creditable service, but not less than thirty percent of his final compensation, or (2) an amount equal to what the member's normal retirement benefit would be based on the member's current final compensation, but assuming the member remained in continuous service until his earliest normal retirement age and using those retirement benefit computation factors which would be applicable to the member's normal retirement.

Cost of Living Increases: The System is authorized under state law to grant a cost-of-living increase to members who have been retired for at least one year. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State law allows the System to grant an additional cost of living increase to all retirees and beneficiaries who are age sixty-five and above equal to 2% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

Deferred Benefits: Plan B provides for deferred benefits for members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable. Benefits are based on statutes in effect at time of withdrawal.

Contributions: According to state statute, contribution requirements for all employers are actuarially determined each year. For the year the actual employer contribution rate was 14.00% for Plan B. In accordance with state statute, the System also receives ad valorem taxes and state revenue sharing funds. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities but are not considered for special funding situations. Total non-employer contributions recognized as income for the year were \$7,348. Contributions to the pension plan from the Town were \$32,515 for the year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The Town reported a liability of \$239,445 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2020, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers as actuarially determined. The Town's proportion was 0.264%, which was an increase of 0.017% from the previous year.

The Town's MERS plan recognized pension expense of \$20,221.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ -	\$ 4,028
Change in assumptions	7,421	-
Change in proportion and differences between the employer's contributions and the proportionate share of contributions	8,883	15,952
Net difference between projected and actual earnings on pension plan investments	25,994	-
Contributions subsequent to the measurement date	<u>32,515</u>	<u>-</u>
Total	<u>\$ 74,813</u>	<u>\$ 19,980</u>

Deferred outflows of resources of \$32,515 related to MERS resulting from the Town's contributions after the measurement date will be recognized as a reduction of the Net Pension Liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MERS will be recognized in pension expense (benefit) as follows:

<u>Year Ended June 30:</u>	
2022	\$ 2,283
2023	10,305
2024	5,922
2025	<u>3,808</u>
	<u>\$ 22,318</u>

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the System to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the System's fiduciary net position.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

A summary of the actuarial methods and assumptions used in determining the total pension liability of the System as were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018 and are as follows:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost
Expected Remaining Service Life	3 years
Actuarial Assumptions:	
Investment rate of return	6.95%, net of investment expense, including inflation
Inflation Rate	2.5%
Salary increases, including information and merit increases	1-4 years of service- 7.4% Plan B More than 4 years of service- 4.9% Plan B
Annuitant and beneficiary mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Employee mortality	PubG-2010(B) Employee Table set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.
Disabled lives mortality	PubG-2010(B) Disabled RetireeTable set equal to 120% for males and females, each adjusted using their respective male and female MP2018 scales.

Discount Rate - The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocations are summarized in the following table:

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Public equity	53%	2.3%
Public fixed income	38%	1.7%
Alternatives	9%	0.4%
Totals	<u>100%</u>	4.4%
Inflation		<u>2.6%</u>
Expected Arithmetic Nominal Return		<u>7.0%</u>

The discount rate used to measure the System's total pension liability was 6.95% for the year. This was a decrease of .005% from the discount rate used in the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the System's net pension liability of the participating employers calculated using the discount rate of 6.950%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.950%, or one percentage point higher 7.950% than the current rate (assuming all other assumptions remain unchanged):

	1% Decrease <u>5.950%</u>	Current Discount Rate <u>6.950%</u>	1% Increase <u>7.950%</u>
Net Pension Liability	\$ 318,746	\$ 239,445	\$ 172,345

B. Municipal Employees Police Retirement System of Louisiana (MPERS) –

Plan Description: The Municipal Police Employees' Retirement System is the administrator of a cost-sharing multiple-employer plan. Membership in the MPERS is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement, empowered to make arrests, provided he or she does not have to pay social security and providing he or she meets the statutory criteria. The System provides retirement benefits for municipal police officers. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the system in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date. The System issues a publicly available financial report that may be obtained by

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

writing to the Municipal Employees' Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809, or by calling (225) 929-7411.

Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. The following is a brief description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Membership Prior to January 1, 2013 - A member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. A member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age with an actuarially reduced benefit. Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per number of years of creditable service, not to exceed 100% of final salary. Upon the death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from forty to sixty percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives benefits equal to ten percent of the member's average final compensation or \$200 per month, whichever is greater.

Membership Commencing January 1, 2013 - Member eligibility for regular retirement, early retirement, disability, and survivor benefits are based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 25 years of creditable service at any age or has 12 years of creditable service at age 55. Under the Non-Hazardous Duty sub plan, a member is eligible for regular retirement after he has been a member of the System and has 30 years of creditable service at any age, 25 years of creditable service at age 55, or 10 years of creditable service at age 60. Under both sub plans, a member is eligible for early retirement after he has been a member of the System for 20 years of creditable service at any age, with an actuarially reduced benefit from age 55.

Under the Hazardous and Non-Hazardous Duty sub plans, the benefit rates are three percent and two and a half percent, respectively, of average final compensation (average monthly earnings during the highest 60 consecutive months or joined months if service was interrupted) per number of years of creditable service not to exceed 100% of final salary.

Upon death of an active contributing member, or disability retiree, the plan provides for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from twenty-five to fifty-five percent of the member's average final compensation for the surviving spouse. In addition, each child under age eighteen receives ten percent of average final compensation or \$200 per month whichever is greater. If deceased member had less than ten years of service, beneficiary will receive a refund of employee contributions only.

Cost of Living Adjustments: The Board of Trustees is authorized to provide annual cost-of-living adjustments computed on the amount of the current regular retirement, disability, beneficiary, or survivor's benefit, not to exceed 3% in any given year. The Board is authorized to provide an additional 2% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors, and beneficiaries who are 65 years of age or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

adjustment until benefits have been received at least one full fiscal year and the payment of such COLA, when authorized, shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost-of-living adjustment until they reach regular retirement age. A cost-of-living adjustment may only be granted if funds are available from interest earnings in excess of normal requirements, as determined by the actuary.

Deferred Retirement Option Plan: A member is eligible to elect to enter the deferred retirement option plan (DROP) when he is eligible for regular retirement based on the members' sub plan participation. Upon filing the application for the program, the employee's active membership in the System is terminated. At the entry date into the DROP, the employee and employer contributions cease. The amount to be deposited into the DROP account is equal to the benefit computed under the retirement plan elected by the participant at date of application. The duration of participation in the DROP is thirty-six months or less. If employment is terminated after the three-year period, the participant may receive his benefits by lump sum payment or a true annuity. If employment is not terminated, active contributing membership into the System shall resume and upon later termination, he shall receive additional retirement benefit based on the additional service. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage rate of return of MPERS's investment portfolio as certified by the actuary on an annual basis but will never lose money. For those eligible to enter DROP subsequent to January 1, 2004, an irrevocable election is made to earn interest based of the System's investment portfolio return or a money market investment return. This could result in a negative earnings rate being applied to the account. If the member elects a money market investment return, the funds are transferred to a government money market account.

Initial Benefit Option Plan: In 1999, the State Legislature authorized the System to establish an Initial Benefit Option program. Initial Benefit Option is available to members who are eligible for regular retirement and have not participated in DROP. The Initial Benefit Option program provides both a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on same criteria as DROP.

Contributions: Contributions for all members are actuarially determined as required by state law but cannot be less than 9% of the employees' earnable compensation excluding overtime but including state supplemental pay.

For the year ended June 30, 2020, total contributions due for employers and employees was 42.5% for members hired prior to January 1, 2013 and hazardous duty members hired after January 1, 2013. For nonhazardous members hired after January 1, 2013 contributions due for employers and employees was 40.50%. The employer and employee contribution rates for all members hired prior to January 1, 2013 and hazardous duty members hired after January 1, 2013 were 32.50% and 10.0%, respectively. The employer and employee contribution rates for all non-hazardous duty members hired after January 1, 2013 were 32.50% and 8.0%, respectively. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 34.25% and 7.50%, respectively. The actuarial required employer and employee combined contribution for June 30, 2020 was 42.50%. Contributions to the pension plan from the Town totaled \$0 for the year.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

Non-employer contributions: The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue and excluded from pension expense. Total non-employer contributions recognized as income for the year were \$0.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The Town reported a liability of \$0 for its proportionate share of the Net Pension Liability of MPERS. The Net Pension Liability was measured as of June 30, 2020 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Town's proportion of the Net Pension Liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town's proportion was 0%, which was the same as its proportion measured in the previous year.

The Town's MPERS plan recognized a pension benefit of \$13,323.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Change in proportion and differences between the employer's contributions and the proportionate share of contributions	-	27,933
Net difference between projected and actual earnings on pension plan investments	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 27,933</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year Ended	
June 30:	
<u>2022</u>	<u>\$ (27,933)</u>

Actuarial Assumptions: The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

A summary of the actuarial methods and assumptions used in determining MPERS total pension liability as of June 30, 2020 are as follows:

Valuation Date	June 30, 2020	
Actuarial Cost Method	Entry Age Normal Cost	
Investment rate of return	6.950%, net of investment expense	
Expected Remaining		
Service Lives	4 years	
Inflation rate	2.5%	
Salary increases, including	<u>Years of Service</u>	<u>Salary Growth Rate</u>
inflation and merit	1-2	12.30%
	Above 2	4.70%

Mortality For annuitants and beneficiaries, the Pub-2010 Public Retirement Plan Mortality Table for Safety Below-Median Healthy Retirees multiplied by 115% for males and 125% for females, each with full generational projection using the MP 2019 scale was used.

For disabled lives, the Pub-2010 public Retirement Plans Mortality Table for Safety Disable Retirees multiplied by 105% for males and 115% for females, each with full generational projection using MP2019 scale was used.

For employees, the Pub-2010 Public Retirement Plans Mortality Table for Safety Below-Median Employees multiplied by 115% for males and 125% for females, each with full generational projection using the MP2019 scale was used

Cost-of-Living Adjustments The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

The best estimates of the arithmetic nominal rates of return for each major asset class included in the System’s target allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation</u>	<u>Rate of Return</u>
Equity	48.50%	3.08%
Fixed Income	33.50%	0.54%
Alternative	18.00%	1.02%
Other	0.00%	0.00%
	Totals 100.00%	4.64%
	Inflation	2.55%
	Expected Nominal Return	7.19%

Discount Rate: The discount rate used to measure the total pension liability was 6.950%. This was a decrease of .075% from the discount rate used in the year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the System’s actuary. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 6.950%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.950%, or one percentage point higher 7.950% than the current rate.

	<u>1% Decrease 5.950%</u>	<u>Current Discount Rate 6.950%</u>	<u>1% Increase 7.950%</u>
Net Pension Liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(9) Litigation and Claims

At June 30, 2021, the Town is a defendant in pending litigation. While damages are alleged, the outcome of this litigation cannot be predicted with certainty.

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

(10) Risk Management

The Town is exposed to risks of loss in the areas of general and auto liability, property hazards and workers' compensation. These risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year, nor have settlements exceeded insurance coverage for the past three years.

(11) Prior Period Adjustments

The Town noted several errors in estimates and assumptions that were included in the prior period financial statements. The Town failed to record unbilled accounts receivable, allowance for doubtful accounts and retainage payable in the Water Sewer Fund as well as properly allocate net pension liability between Governmental Activities and Business-Type Activities. In addition, the Town incorrectly accounted for its sewer improvements project by recording fund balance and construction in progress in Governmental Activities instead of Business-Type Activities as well as included its discretely presented component unit, the volunteer fire department, as part of Governmental Activities.

The effect of the adjustments to net beginning position are as follows:

	Govt. Activities	Business Type Activities	Volunteer Fire Dept. Fund	Capital Project Fund	Water Sewer Fund
July 1, 2020 net position, as reported	\$ 932,976	\$ 2,727,091	\$ 68,655	\$ 223	\$ 2,727,091
Prior period adjustments:					
Unbilled accounts receivable	-	21,368	-	-	21,368
Allowance for doubtful accounts	-	(37,814)	-	-	(37,814)
Effect of unrecorded retainage	-	8,444	-	-	8,444
Discretely presented component unit	(68,655)	-	(68,655)	-	-
Allocation of net pension liability	148,279	(148,279)	-	-	(148,279)
Sewer improvements project	(223)	223	-	(223)	223
Construction in progress	(225,640)	225,640	-	-	225,640
July 1, 2020 net position, as restated	<u>\$ 786,737</u>	<u>\$ 2,796,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,796,673</u>

(12) New Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The statement increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows and outflows of resources based on the payment provisions of the

TOWN OF COTTONPORT, LOUISIANA

Notes to Basic Financial Statements

lease. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provision of GASB Statement No. 87 is effective for fiscal years beginning after June 15, 2021. The effect of implementation on the Town's financial statements has not been determined.

(13) Selected Disclosures for Discretely Presented Component Units

Financial reporting standards require note disclosures on discretely presented component units considering both the units' significance relative to the total discretely component units and the nature and significance of the units' relationship to the primary government (the Town). As such, the following disclosures are presented.

Deposits

Discretely presented component unit deposits (demand deposits and interest-bearing demand deposits) are recorded at cost, which approximates fair value. The carrying amounts of these deposits totaled \$64,037.

Under state law, these deposits must be secured by federal deposit insurance, or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all times equal the amount on deposit with the fiscal agent. The deposits were covered by FDIC insurance.

Capital Assets

A summary of depreciable assets for discretely presented component units is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Volunteer Fire Department:				
Equipment, furniture and fixtures	<u>\$ -</u>	<u>\$ 19,748</u>	<u>\$ -</u>	<u>\$ 19,748</u>
Less accumulated depreciation:				
Equipment, furniture and fixtures	<u>-</u>	<u>2,416</u>	<u>-</u>	<u>2,416</u>
Depreciable assets, net	<u>\$ -</u>	<u>\$ 17,332</u>	<u>\$ -</u>	<u>\$ 17,332</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 150,800	\$ 133,800	\$ 137,122	\$ 3,322
Licenses and permits	68,698	66,240	68,566	2,326
Intergovernmental	23,400	58,687	60,201	1,514
Fines and forfeits	48,050	30,600	27,292	(3,308)
Miscellaneous	22,275	19,132	49,948	30,816
Total revenues	<u>313,223</u>	<u>308,459</u>	<u>343,129</u>	<u>34,670</u>
Expenditures:				
General government -				
Finance and administrative	210,467	242,167	219,934	22,233
Public safety -				
Police	263,736	252,136	264,425	(12,289)
Fire	17,944	17,844	15,412	2,432
Court	3,840	9,760	12,584	(2,824)
Public works -				
Streets and sidewalks	135,064	124,864	120,917	3,947
Capital outlay	17,111	169,594	168,252	1,342
Debt service	22,000	52,098	52,098	-
Total expenditures	<u>670,162</u>	<u>868,463</u>	<u>853,622</u>	<u>14,841</u>
Deficiency of revenues over expenditures	<u>(356,939)</u>	<u>(560,004)</u>	<u>(510,493)</u>	<u>49,511</u>
Other financing sources (uses):				
Transfers out	(124,047)	(13,611)	(27,274)	(13,663)
Transfers in	295,000	395,000	365,000	(30,000)
Proceeds from capital lease	-	157,371	157,371	-
Total other financing sources (uses)	<u>170,953</u>	<u>538,760</u>	<u>495,097</u>	<u>(43,663)</u>
Net change in fund balance	(185,986)	(21,244)	(15,396)	5,848
Fund balance, beginning	<u>43,816</u>	<u>43,816</u>	<u>43,816</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (142,170)</u>	<u>\$ 22,572</u>	<u>\$ 28,420</u>	<u>\$ 5,848</u>

TOWN OF COTTONPORT, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes -				
Sales	\$ 290,000	\$ 420,000	\$ 479,476	\$ 59,476
Other	90	90	98	8
Total revenues	<u>290,090</u>	<u>420,090</u>	<u>479,574</u>	<u>59,484</u>
Expenditures:				
General government	<u>5,000</u>	<u>5,000</u>	<u>6,497</u>	<u>(1,497)</u>
Excess of revenues over expenditures	<u>285,090</u>	<u>415,090</u>	<u>473,077</u>	<u>57,987</u>
Other financing uses:				
Transfers out	<u>(275,000)</u>	<u>(320,000)</u>	<u>(365,000)</u>	<u>(45,000)</u>
Net change in fund balance	10,090	95,090	108,077	12,987
Fund balance, beginning	<u>148,225</u>	<u>148,225</u>	<u>148,225</u>	<u>-</u>
Fund balance, ending	<u>\$ 158,315</u>	<u>\$ 243,315</u>	<u>\$ 256,302</u>	<u>\$ 12,987</u>

TOWN OF COTTONPORT, LOUISIANA

Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2021

* Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Municipal Employees' Retirement System					
2021	0.266%	\$ 239,445	\$ 182,440	131.2%	66.26%
2020	0.247%	\$ 215,971	\$ 172,096	125.5%	66.14%
2019	0.300%	\$ 253,449	\$ 188,727	134.3%	65.60%
2018	0.349%	\$ 301,541	\$ 219,552	137.3%	63.49%
2017	0.367%	\$ 303,965	\$ 258,679	117.5%	62.11%
Municipal Police Employees' Retirement System					
2021	0.000%	\$ -	\$ -	0.0%	70.94%
2020	0.000%	\$ -	\$ -	0.0%	71.01%
2019	0.000%	\$ -	\$ -	0.0%	71.89%
2018	0.014%	\$ 126,076	\$ -	0.0%	70.08%
2017	0.007%	\$ 63,520	\$ 43,112	147.3%	66.04%

* The amounts presented have a measurement date of the previous fiscal year end.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF COTTONPORT, LOUISIANA

Schedule of Employer Contributions
For the Year Ended June 30, 2021

<u>Year ended June 30,</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
Municipal Employees' Retirement System					
2021	\$ 32,515	\$ 32,515	\$ -	\$ 209,772	15.50%
2020	\$ 28,667	\$ 28,667	\$ -	\$ 172,096	16.66%
2019	\$ 26,422	\$ 26,422	\$ -	\$ 188,727	14.00%
2018	\$ 29,090	\$ 29,090	\$ -	\$ 219,552	13.25%
2017	\$ 24,178	\$ 24,178	\$ -	\$ 258,679	9.35%
Municipal Police Employees' Retirement System					
2021	\$ -	\$ -	\$ -	\$ -	0.00%
2020	\$ -	\$ -	\$ -	\$ -	0.00%
2019	\$ -	\$ -	\$ -	\$ -	0.00%
2018	\$ -	\$ -	\$ -	\$ -	0.00%
2017	\$ 13,688	\$ 13,688	\$ -	\$ 43,112	31.75%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF COTTONPORT, LOUISIANA

Notes to the Required Supplementary Information
Year Ended June 30, 2021

(1) Retirement Systems

A. Changes in Benefit Terms

There were no changes in benefit terms.

B. Changes in Assumptions

<u>Year ended June 30,</u>	<u>Discount Rate</u>	<u>Investment Rate of Return</u>	<u>Inflation Rate</u>	<u>Expected Remaining Service lives</u>	<u>Projected Salary Increase</u>
* Municipal Employee's Retirement System of Louisiana (MERS)					
2017	7.500%	7.500%	2.875%	3	2.125%
2018	7.400%	7.400%	2.775%	3	2.225%
2019	7.275%	7.275%	2.600%	3	2.400%
2020	7.000%	7.000%	2.500%	3	4.5% - 6.4%
2021	6.950%	6.950%	2.500%	3	4.9% - 7.4%

*** Municipal Employees Police Retirement System of (MPERS)**

2017	7.500%	7.500%	2.875%	4	4.25% - 9.75%
2018	7.325%	7.325%	2.700%	4	4.25% - 9.75%
2019	7.200%	7.200%	2.600%	4	4.25% - 9.75%
2020	7.125%	7.125%	2.500%	4	4.25% - 9.75%
2021	6.950%	6.950%	2.500%	4	4.70% - 12.30%

** The amounts presented have a measurement date of the previous June 30.*

(2) Budget and Budgetary Accounting

The Town has established its fiscal year as the twelve-month period beginning July 1. The procedures detailed below are followed in establishing the budgetary data reflected in the financial statements.

The Mayor and the Town Clerk prepare a proposed budget based on an estimate of the revenues expected to be received in the next fiscal year and submit the proposal to the Board of Aldermen. A summary of the proposed budget is published, and the public is notified that the proposed budget is available for public inspection. As the same time, a public hearing is set.

A public hearing is held to discuss the proposed budget at least ten days after publication of the call for a hearing. After the public hearing is conducted and all actions necessary to finalize and implement the budget, the budget is adopted by ordinance prior to the commencement of the fiscal for which the budget is being adopted.

TOWN OF COTTONPORT, LOUISIANA

Notes to the Required Supplementary Information
Year Ended June 30, 2021

As required by state law, the budgets are amended whenever projected revenue fails to meet original expectations or when projected expenditures exceed original expectations. Budgetary amounts as amended and all budgetary appropriations lapse at the end of the fiscal year.

(3) Excess of Expenditures over Appropriations

The Town incurred expenditures in excess of appropriations in the Sales Tax Fund.

OTHER SUPPLEMENTARY INFORMATION

OTHER INFORMATION

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes:				
Ad valorem	\$ 49,500	\$ 47,500	\$ 52,019	\$ 4,519
Franchise -				
Electric	74,300	60,300	60,997	697
Gas	12,000	12,000	11,190	(810)
Telephone	4,000	4,000	3,224	(776)
Cable TV	11,000	10,000	9,692	(308)
Total taxes	<u>150,800</u>	<u>133,800</u>	<u>137,122</u>	<u>3,322</u>
Licenses and permits:				
Occupational licenses	65,500	62,500	64,793	2,293
Building permits	50	240	230	(10)
Liquor permits	3,148	3,500	3,543	43
Total licenses and permits	<u>68,698</u>	<u>66,240</u>	<u>68,566</u>	<u>2,326</u>
Intergovernmental:				
State of Louisiana -				
Beer taxes	3,400	4,200	4,102	(98)
Video poker	15,000	11,000	12,612	1,612
Volunteer Fire Department	-	38,487	38,487	-
Department of Transportation -				
Maintenance	5,000	5,000	5,000	-
Total intergovernmental	<u>23,400</u>	<u>58,687</u>	<u>60,201</u>	<u>1,514</u>
Fines and forfeits:				
Fines and court costs	48,050	30,600	27,292	(3,308)
Miscellaneous:				
Interest	25	25	307	282
Casino funds	-	692	2,416	1,724
Other sources	22,250	18,415	47,225	28,810
Total miscellaneous	<u>22,275</u>	<u>19,132</u>	<u>49,948</u>	<u>30,816</u>
Total revenues	<u>\$ 313,223</u>	<u>\$ 308,459</u>	<u>\$ 343,129</u>	<u>\$ 34,670</u>

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government:				
Administration:				
Salaries	\$ 84,256	\$ 96,756	\$ 88,330	\$ 8,426
Payroll taxes	6,446	7,546	6,682	864
Insurance	14,100	9,100	11,364	(2,264)
Legal and professional fees	11,846	20,846	20,784	62
Benefits	14,442	19,442	15,561	3,881
Other	79,377	88,477	77,213	11,264
Total general government	<u>210,467</u>	<u>242,167</u>	<u>219,934</u>	<u>22,233</u>
Public safety -				
Police:				
Salaries	166,636	144,636	157,259	(12,623)
Payroll taxes	16,000	11,500	12,286	(786)
Automobile expense	29,800	37,200	36,823	377
Insurance	32,800	32,800	31,777	1,023
Other	18,500	26,000	26,280	(280)
Total police	<u>263,736</u>	<u>252,136</u>	<u>264,425</u>	<u>(12,289)</u>
Fire:				
Salaries	3,900	3,900	3,900	-
Payroll taxes	844	844	903	(59)
Miscellaneous	12,200	11,500	9,070	2,430
Truck expenses	1,000	1,600	1,539	61
Total fire	<u>17,944</u>	<u>17,844</u>	<u>15,412</u>	<u>2,432</u>
Court:				
Magistrate fees	1,200	1,200	2,883	(1,683)
Coroner's fees	200	6,700	8,200	(1,500)
Miscellaneous	2,440	1,860	1,501	359
Total court	<u>3,840</u>	<u>9,760</u>	<u>12,584</u>	<u>(2,824)</u>
Total public safety	<u>285,520</u>	<u>279,740</u>	<u>292,421</u>	<u>(12,681)</u>

TOWN OF COTTONPORT, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (continued)
For the Year Ended June 30, 2021

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Streets and sidewalks -				
Salaries	44,088	37,088	36,888	200
Payroll taxes	3,880	3,880	2,820	1,060
Benefits	3,546	3,146	2,900	246
Street lights and power	37,500	33,500	32,369	1,131
Maintenance	22,400	30,400	29,211	1,189
Insurance	20,200	15,200	15,129	71
Other	3,450	1,650	1,600	50
Total streets and sidewalks	<u>135,064</u>	<u>124,864</u>	<u>120,917</u>	<u>3,947</u>
Capital outlay:				
General government	2,000	-	-	-
Police department	5,888	-	10,146	(10,146)
Fire department	7,723	167,594	156,476	11,118
Court	1,500	2,000	1,630	370
Total capital outlay	<u>17,111</u>	<u>169,594</u>	<u>168,252</u>	<u>1,342</u>
Debt service:				
Principal	19,758	49,763	49,763	-
Interest	2,242	2,335	2,335	-
Total debt service	<u>22,000</u>	<u>52,098</u>	<u>52,098</u>	<u>-</u>
Total expenditures	<u>\$ 670,162</u>	<u>\$ 868,463</u>	<u>\$ 853,622</u>	<u>\$ 14,841</u>

TOWN OF COTTONPORT, LOUISIANA
Enterprise Fund
Utility Fund

Departmental Analysis of Revenues and Expenses
Year Ended June 30, 2021

	Totals	General Administrative	Water	Sewer
Operating revenues:				
Water sales	\$ 586,899	\$ -	\$ 586,899	\$ -
Sewerage sales	206,689	-	-	206,689
Installation and other charges	24,105	-	23,214	891
Total operating revenues	<u>817,693</u>	<u>-</u>	<u>610,113</u>	<u>207,580</u>
Operating expenses:				
Salaries and related benefits	142,929	39,934	53,360	49,635
Depreciation	126,318	-	62,127	64,191
Maintenance and repairs	69,435	-	47,329	22,106
Supplies	98,925	-	60,926	37,999
Contractual services	2,212	2,212	-	-
Insurance	24,670	-	13,283	11,387
Truck and tractor expenses	660	-	77	583
Utilities and telephone	103,453	-	75,250	28,203
Gas and oil	8,207	-	3,288	4,919
Miscellaneous	37,380	785	32,381	4,214
Total operating expenses	<u>614,189</u>	<u>42,931</u>	<u>348,021</u>	<u>223,237</u>
Net operating income (loss)	<u>\$ 203,504</u>	<u>\$ (42,931)</u>	<u>\$ 262,092</u>	<u>\$ (15,657)</u>

TOWN OF COTTONPORT, LOUISIANA

Schedule of Compensation Paid to Council Members
Year Ended June 30, 2021

Town Council Members -

Curtis J Francisco, Mayor Pro-Tem	\$ 4,900
Margaret Prater-Jenkins	4,950
Kenneth W. Friels	4,950
Luke L. Welch	4,950
Demple Prater	4,900
Cain Merrick	<u>450</u>
	<u>\$ 25,100</u>

TOWN OF COTTONPORT, LOUISIANA

Schedule of Compensation, Benefits, and
Other Payments to Agency Head
June 30, 2021

Agency Head: William F. Scott, III, Mayor

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 9,600
Benefits - retirement	1,387
	<u>\$ 10,987</u>

TOWN OF COTTONPORT
Cottonport, Louisiana

Justice System Funding Schedule - Collecting/Disbursing Entity
As Required by ACT 87 of the 2020 Regular Legislative Session

Cash Basis Presentation
Year Ended June 30, 2021

	<u>First Six Month Period Ended 12/31/2020</u>	<u>Second Six Month Period Ended 06/30/2021</u>
Beginning balance of amounts collected	\$ -	\$ -
Add: Collections		
Criminal Court Costs/Fees	15,583	19,831
Total collections	<u>15,583</u>	<u>19,831</u>
Less: Disbursements to Governments and Nonprofits		
Louisiana Assoc. of Chief Police - Criminal Court Costs/Fees	140	158
Louisiana Commission on Law Enforcement - Crime Victims Reparation - Criminal Court Costs/Fees	68	248
Law Enforcement Training - Criminal Court Costs/Fees	126	199
Louisiana State Treasurer - CMIS Special Court - Criminal Court Costs/Fees	189	234
Louisiana Supreme Court - Louisiana Judicial College- Criminal Court Costs/Fees	28	40
Louisiana Dept. of Health - Traumatic Head and Spinal Cord Injury - Criminal Court Costs/Fees	140	230
Central Louisiana Juvenile Detention - Criminal Court Costs/Fees	428	368
Less: Amounts retained by collecting agency		
Criminal Court Costs/Fees	<u>14,464</u>	<u>18,354</u>
Total disbursements	<u>15,583</u>	<u>19,831</u>
Total ending balance of amounts collected but not disbursed	<u>\$ -</u>	<u>\$ -</u>

TOWN OF COTTONPORT, LOUISIANA

LDCBG Program - Balance Sheet
June 30, 2021

ASSETS		
Cash		<u>\$ 223</u>
FUND BALANCE		
Fund balance:		
Restricted - capital outlay		<u>\$ 223</u>

TOWN OF COTTONPORT, LOUISIANA

LCDBG - Income Statement
For the Year Ended June 30, 2021

Revenues:	
LCDBG program	<u>\$ 409,384</u>
Expenditures:	
Current -	
Administration services	153
Project construction	<u>409,231</u>
Total expenditures	<u>409,384</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>
Fund balance, beginning	<u>223</u>
Fund balance, ending	<u>\$ 223</u>

**INTERNAL CONTROL,
COMPLIANCE AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable William F. Scott, III, Mayor
and Members of the Town Council
Town of Cottonport, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, discretely presented component unit, and each major fund of the Town of Cottonport, Louisiana as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Cottonport, Louisiana's basic financial statements and have issued our report thereon dated December 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Cottonport, Louisiana's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Cottonport, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Cottonport, Louisiana's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2021-003.

Town of Cottonport, Louisiana's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Alexandria, Louisiana
December 29, 2021

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2021

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2021-001 Inadequate Segregation of Accounting Functions

CONDITION: The Town of Cottonport did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C §315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Town does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town concurs with the audit finding. Due to the size of staffing, the achievement of adequate segregation of duties is desirable, but cost prohibitive. All efforts are made to segregate duties where feasible. To establish enhanced controls the Town Council monitors activity and account balances in all funds.

2021-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: Unknown

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principle, as applicable to governmental entities in the financial statement preparation process.

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2021

CRITERIA: The Town's internal control over financial reporting includes policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The cause of the condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related supporting transactions may reflect a departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: We evaluated the cost vs. benefit of establishing enhanced controls over financial reporting and determined that it would not be cost effective to enhance these controls. Currently, our financial staff receives annual training related to their job duties and we carefully review the financial statements, related notes, and all proposed adjustments. All questions are adequately addressed by our auditors which allows us to appropriately supervise these functions. We feel that we have taken appropriate steps to reduce the financial statement risk caused by this finding.

B. Compliance

2021-003 Budget noncompliance

Fiscal year finding initially occurred: 2021

CONDITION: Actual expenditures in the Sales Tax fund exceed budgeted expenditures by more than five percent.

CRITERIA: Louisiana State Statute RS 39:1311 Budgetary Authority and Control

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to monitor expenditures in the Sales Tax Fund.

EFFECT: The Town may not prevent and/or detect overspending in the Sales Tax Fund in a timely manner.

RECOMMENDATION: Management should periodically compare actual expenditures to budgeted expenditures in the Sales Tax Fund to identify the need for budget amendments in a timelier manner.

TOWN OF COTTONPORT, LOUISIANA

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2021

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management has agreed to prepare actual vs budget reports for review on a periodic basis and propose budget amendments as required under Louisiana State Statute RS 39:1311.

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2020-001 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Town of Cottonport does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

CURRENT STATUS: Unresolved. See item 2021-002

B. Compliance

No findings to be reported.